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Arizona Corporation Commission

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IN THE MATTER OF THE
APPLICATION OF TUCSON ELECTRIC
POWER COMPANY FOR APPROVAL
OF ITS 2011-2012 ENERGY
EFFICIENCY IMPLEMENTATION
PLAN

Docket No. E-01933A-11-0055

**COMMENTS OF FREEPORT-
MCMORAN COPPER & GOLD INC.
AND ARIZONANS FOR ELECTRIC
CHOICE AND COMPETITION ON
TEP'S PROPOSED MODIFIED
ENERGY EFFICIENCY
IMPLEMENTATION PLAN FOR
2012, FILED ON JANUARY 31, 2012**

Freeport-McMoRan Copper & Gold, Inc. (Freeport-McMoRan) and Arizonans for Electric Choice and Competition (AECC) (collectively "AECC") hereby submits its comments on Tucson Electric Power Company's Proposed Modified Energy Efficiency Implementation Plan for 2012, filed on January 31, 2012.

I. Overview of AECC's Position and Recommendations

On January 31, 2011, Tucson Electric Power Company ("TEP") filed an Application for Approval of its 2011-2012 Energy Efficiency Implementation Plan ("TEP Initial Filing"). This filing was supplemented by TEP on June 30, 2011 and updated by TEP on August 23, 2011 ("TEP Filing Update").

On September 26, 2011, AECC filed comments with the Commission registering its strong objections to TEP's proposal as presented in the TEP Filing Update. Specifically, AECC objected to TEP's proposal for the following reasons:

- The proposed overall rate increase was too great.

- 1 • TEP's proposal was designed to overshoot the Commission's energy efficiency
- 2 ("EE") targets.
- 3 • TEP's incentive proposal was too rich.
- 4 • The requested Authorized Revenue Recovery True-Up ("ARRT") of \$16.8 million
- 5 was an improper rate increase which violated the terms of the 2008 Settlement
- 6 Agreement in Docket No. E-01933A-07-0402.

7 In its September 2011 Comments, AECC recommended that the TEP DSM
8 Surcharge be restructured as an across-the-board percentage rider. AECC's
9 recommended **maximum** level for this rider was 3%, which is in line with the DSM
10 riders adopted in other states. A percentage rider will increase the transparency to
11 customers of DSM program costs.

12 Additionally, AECC did not object to TEP's request for a waiver from the 2011
13 and 2012 EE Standard if the waiver is accompanied by commensurate relief from the
14 DSM Surcharge proposed by TEP.

15 On January 31, 2012, TEP filed a Proposed Modified EE Plan ("Modified EE
16 Plan"). The Modified EE Plan was developed after consultation with interested
17 stakeholders, including AECC, and includes several important changes relative to the
18 TEP Initial Filing and TEP Filing Update:

- 19 • The proposed overall budget and rate increase is significantly reduced.
- 20 • The Demand Side Management Surcharge ("DSMS") rate design for
- 21 Residential customers remains a cents/kWh charge; however, the DSMS rate for
- 22 non-Residential customers is changed to an equal percentage surcharge.
- 23 • The structure of TEP's incentive proposal is modified, while the proposed
- 24 overall funding for the incentive is reduced.
- 25 • The proposal for recovery of ARRT is withdrawn.

26 AECC supports the structural changes in the Modified EE Plan, but remains

1 concerned about the overall cost to customers.

2 Specifically, AECC supports the change in rate design for non-Residential
3 customers. This approach is fairer than the current cents/kWh rate design. As EE
4 charges become a larger part of customers' bills, it is important to reconsider the design
5 of the charge. The Modified EE Plan appropriately does so. The underlying cents/kWh
6 cost assigned to non-Residential customers in the Modified EE Plan is the same as that
7 assigned to Residential customers. However, the equal percentage rate design spreads
8 the cost impact across non-Residential customers proportionately to any system savings
9 that may be achieved as a result of TEP's EE programs and therefore more equitable.

10 AECC also strongly supports the removal of the ARRT proposal and does not
11 object to the restructuring of TEP's incentive proposal for the duration of this plan.


12 Finally, while the reduction in the overall budget and rate increase is a
13 significant step in the right direction, the overall charge to customers, at approximately
14 4%, is still a source of concern. AECC encourages the Commission to reduce this
15 overall cost to closer to 3%. One means to reduce the cost is to extend the period for
16 recovering the \$5.6 million in un-recovered program costs from prior periods ("Carry
17 Over Balance") from 22 months (as proposed in the Modified EE Plan) to 46 months.
18 This modification would reduce annual charges to customers in the upcoming 22-month
19 period by about \$1.4 million per year. While this modification would not bring the
20 overall cost down to 3%, it would make a contribution to mitigating the 2012-2013
21 impact.

22 **II. Conclusion**

23 In conclusion, the Modified EE Plan represents a significant improvement over
24 TEP's Initial Filing and the TEP Filing Update. AECC supports approval of the
25 *structure* of the new plan, while encouraging the Commission to further trim the overall
26 cost.

1 RESPECTFULLY SUBMITTED this 14th day of February 2012.

2 FENNEMORE CRAIG, P.C.

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11 **ORIGINAL** and **13 COPIES** of the foregoing
12 **FILED** this 14th day of February 2012 with:

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